

CANADA AFTER SIX MONTHS OF WAR

"That we have been able to withstand the shock of this world-shaking catastrophe and recover so quickly is to me nothing short of marvellous, a conclusive proof of the fundamental soundness of our country and its institutions, an unequalled tribute to the prudence and energy of our people and an unmistakable earnest and urgency of our future progress and greatness."

—Hon. W. T. WHITE, Canadian Minister of Finance.

HE would have been a courageous prophet indeed who would have dared predict in the fateful days of early August that conditions in Canada in the opening weeks of 1915 would be as favorable as we find them to-day. That financial Canada has withstood the terrific impact of modern war upon the modern trade-fabric without panic and disaster is a tribute alike to the inherent strength of the country's position, the coolness and good sense of her people and the courage, resource and initiative of her financial and administrative leaders.

Although two years of trade reaction and of liquidation had cleared the financial situation of much of the dangerous inflation of the boom period culminating in the autumn of 1912, at the outbreak of hostilities Canada found herself confronted with unprecedented financial problems of the first magnitude.

Her government acted promptly. The emergency financial measures introduced by the Department of Finance in the first week of August were at once effective in steadying the situation and inspiring public confidence. Moratoria were declared in twenty-six countries. Canada needed none. The Dominion Government has passed through the first six months of war without undue disturbance of its finances and without impairment of its credit abroad. Expenses incident upon active participation in war will be readily met, partly by unburdensome taxation of sugar, coffee, spirits and tobacco, and partly by special advances from the Bank of England arranged on favorable terms last October. The Federal Government to-day maintains substantial credit balances both at home and abroad and the Provincial Governments are in a like favorable monetary position.

From the national point of view, the two most serious elements of the Canadian situation last August were, first, the sudden stoppage, presumably for an extended period, of the flow of British capital which for several years past

has financed Canadian municipalities and industries at the rate of twenty to twenty-five million dollars per month; and, second, the meeting of interest charges of about ten millions per month upon these huge loans, a liability hitherto met by floating new loans. Canada was thrown practically upon her own resources.

Her big national problem was, and is to-day, the offsetting of these enormous liabilities of interest and maturing instalments of principal by setting up credits abroad, in other words by selling to foreign countries more products of soil and of factory than she buys from them. The task is no small one. It involves a complete reversal of the country's foreign trade position, for Canadian purchases abroad exceeded sales by \$161,700,000 in the fiscal year 1910-11 and by \$213,732,000 in 1911-12. Instinctively the people of Canada applied the only possible remedies — increased production on the one hand, and increased thrift on the other.

The Canadian people are producing. Agriculturally, the year 1914 was one of the most prosperous in Canadian history. Thanks to British command of the seas, Canada's fields are unmenaced by actual war operations and for all her surplus farm and food products Europe is providing an open and unlimited market at war-prices, prices likely to be maintained at present or higher levels for the next year at least. Canada's crops for 1914 were worth \$639,061,000, as against \$552,771,200 for 1913. No. 1 Northern wheat sells to-day in Winnipeg at \$1.45 cash per bushel compared with 83c. a year ago. In spite of a falling off in yield of one hundred and fifty millions of bushels, the total value of Canada's Western grain crop for 1914 is \$236,000,000 compared with \$216,000,000 for 1913. With the spread of mixed farming, for the first time in its history the West provided itself last year with all its principal food supplies. Stimulated by high prices, the Western area prepared for